LINCOLN EDUCATIONAL SERVICES CORP
Form 10-Q
May 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 000-51371

LINCOLN EDUCATIONAL SERVICES CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey (State or other jurisdiction of incorporation or organization)	57-1150621 (IRS Employer Identification No.)
200 Executive Drive, Suite 340 West Orange, NJ (Address of principal executive offices)	07052 (Zip Code)

(973) 736-9340
(Registrant's telephone number, including area code)

No change
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o		Accelerated filerx
Non-accelerated filer o	(Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

As of May 6, 2014, there were 24,001,552 shares of the registrant's common stock outstanding.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES

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FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2014

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 2014 (Unaudited)	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,086	$ 12,886
Restricted cash	-	54,500
Accounts receivable, less allowance of $13,375 and $13,787 at March 31, 2014 and December 31, 2013, respectively	17,701	16,127
Inventories	2,120	2,269
Prepaid income taxes and income taxes receivable	8,035	8,517
Assets held for sale	6,310	6,310
Prepaid expenses and other current assets	3,257	3,013
Total current assets	44,509	103,622
PROPERTY, EQUIPMENT AND FACILITIES - At cost, net of accumulated depreciation and amortization of $151,643 and $146,795 at March 31, 2014and December 31, 2013, respectively	124,126	127,332
OTHER ASSETS:		
Noncurrent receivables, less allowance of $955 and $982 at March 31, 2014 and December 31, 2013, respectively	6,468	6,869
Deferred finance charges	953	1,163
Goodwill	62,465	62,465
Other assets, net	3,537	4,498
Total other assets	73,423	74,995
TOTAL	$ 242,058	$ 305,949

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Continued)

	March 31, 2014 (Unaudited)	December 31, 2013
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt and lease obligations	$ 443	$ 435
Unearned tuition	31,008	30,195
Accounts payable	9,823	14,603
Accrued expenses	11,984	10,655
Other short-term liabilities	703	693
Total current liabilities	53,961	56,581
NONCURRENT LIABILITIES:		
Long-term debt and lease obligations, net of current portion	40,066	89,681
Pension plan liabilities	1,497	1,522
Deferred income taxes, net	4,909	4,528
Accrued rent	7,442	7,695
Other long-term liabilities	709	746
Total liabilities	108,584	160,753
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value - 10,000,000 shares authorized, no shares issued and outstanding at March 31, 2014 and December 31, 2013	-	-
Common stock, no par value - authorized: 100,000,000 shares at March 31, 2014and December 31, 2013; issued and outstanding: 29,792,688 shares at March 31, 2014and 29,919,761 shares at December 31, 2013	141,377	141,377
Additional paid-in capital	25,109	24,177
Treasury stock at cost - 5,910,541 shares at March 31, 2014 and December 31, 2013	(82,860)	(82,860)
Retained earnings	53,298	66,064
Accumulated other comprehensive loss	(3,450)	(3,562)
Total stockholders' equity	133,474	145,196
TOTAL	$ 242,058	$ 305,949

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
REVENUE	$79,967	$86,270
COSTS AND EXPENSES:		
Educational services and facilities	42,689	43,573
Selling, general and administrative	46,736	50,020
Gain on sale of assets	(55)	(11)
Impairment of long-lived assets	-	93
Total costs & expenses	89,370	93,675
OPERATING LOSS	(9,403)	(7,405)
OTHER:		
Interest income	-	2
Interest expense	(1,316)	(1,092)
Other income	56	-
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(10,663)	(8,495)
PROVISION (BENEFIT) FOR INCOME TAXES	431	(3,213)
LOSS FROM CONTINUING OPERATIONS	(11,094)	(5,282)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAXES	-	(2,205)
NET LOSS	$(11,094)	$(7,487)
Basic		
Loss per share from continuing operations	$(0.49)	$(0.24)
Loss per share from discontinued operations	-	(0.09)
Net loss per share	$(0.49)	$(0.33)
Diluted		
Loss per share from continuing operations	$(0.49)	$(0.24)
Loss per share from discontinued operations	-	(0.09)
Net loss per share	$(0.49)	$(0.33)
Weighted average number of common shares outstanding:		
Basic	22,723	22,414
Diluted	22,723	22,414

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
Net loss	$(11,094)	$(7,487)
Other comprehensive income		
Employee pension plan adjustments, net of taxes	112	150
Comprehensive loss	$(10,982)	$(7,337)

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(In thousands, except share amounts)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE - January 1, 2014	29,919,761	$141,377	$24,177	$(82,860)	$66,064	$(3,562)	$145,196
Net loss	-	-	-	-	(11,094)	-	(11,094)
Employee pension plan adjustments, net of taxes	-	-	-	-	-	112	112
Stock-based compensation expense							
Restricted stock	(111,864)	-	970	-	-	-	970
Stock options	-	-	27	-	-	-	27
Net share settlement for equity-based compensation	(15,209)	-	(65)	-	-	-	(65)
Cash dividend of $0.07 per common share	-	-	-	-	(1,672)	-	(1,672)
BALANCE - March 31, 2014	29,792,688	$141,377	$25,109	$(82,860)	$53,298	$(3,450)	$133,474

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(11,094)	$(7,487)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,064	5,972
Amortization of deferred finance charges	210	69
Deferred income taxes	381	(664)
Gain on disposition of assets	(55)	(11)
Impairment of long-lived assets	-	1,726
Fixed asset donation	(39)	-
Provision for doubtful accounts	3,118	3,528
Stock-based compensation expense	997	1,280
Deferred rent	(137)	(68)
(Increase) decrease in assets:		
Accounts receivable	(4,291)	(2,332)
Inventories	149	(19)
Prepaid income taxes and income taxes receivable	482	(3,821)
Prepaid expenses and current assets	(264)	(140)
Other assets	95	(365)
Increase (decrease) in liabilities:		
Accounts payable	(5,082)	(1,423)
Accrued expenses	1,213	1,802
Pension plan liabilities	112	(284)
Unearned tuition	813	(2,070)
Other liabilities	(52)	88
Total adjustments	2,714	3,268
Net cash used in operating activities	(8,380)	(4,219)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(637)	(591)
Proceeds from sale of property and equipment	61	17
Net cash used in investing activities	(576)	(574)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on borrowings	(54,500)	(37,500)
Reclassifications of payments of borrowings from restricted cash	54,500	-
Proceeds from borrowings	5,000	-
Net share settlement for equity-based compensation	(65)	(368)
Dividends paid	(1,672)	(1,656)
Principal payments under capital lease obligations	(107)	(102)
Net cash provided by (used in) financing activities	3,156	(39,626)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,800)	(44,419)
CASH AND CASH EQUIVALENTS—Beginning of period	12,886	61,708

CASH AND CASH EQUIVALENTS—End of period	$7,086	$17,289

See notes to unaudited condensed consolidated financial statements.

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LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)
(Continued)

	Three Months Ended March 31, 2014	2013
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	$1,083	$942
Income taxes	$1	$133
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Liabilities accrued for or noncash purchases of fixed assets	$855	$311

See notes to unaudited condensed consolidated financial statements.

LINCOLN EDUCATIONAL SERVICES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(In thousands, except share and per share amounts and unless otherwise stated)
(Unaudited)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activities – Lincoln Educational Services Corporation and Subsidiaries (the "Company") is a provider of diversified career-oriented post-secondary education. The Company offers recent high school graduates and working adults career-oriented programs in five areas of study: Automotive Technology, Health Sciences, Skilled Trades, Hospitality Services and Business and Information Technology. The Company currently has 33 campuses and five training sites in 15 states across the United States.

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Certain information and footnote disclosures normally included in annual financial statements have been omitted or condensed pursuant to such regulations. These statements, which should be read in conjunction with the December 31, 2013 consolidated financial statements of the Company, reflect all adjustments, consisting of normal recurring adjustments, including impairments necessary to present fairly the consolidated financial position, results of operations and cash flows for such periods. The results of operations for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2014.

The unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates in the Preparation of Financial Statements – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, the Company evaluates the estimates and assumptions, including those related to revenue recognition, bad debts, fixed assets, goodwill and other intangible assets, stock-based compensation, income taxes, benefit plans and certain accruals and contingencies. Actual results could differ from those estimates.

New Accounting Pronouncements –In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in this ASU provide guidance on the financial statement presentation of unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this ASU did not materially impact the presentation of the Company's financial condition, results of operation and disclosures.

Stock-Based Compensation – The Company measures the value of stock options on the grant date at fair value, using the Black-Scholes option valuation model. The Company amortizes the fair value of stock options, net of estimated forfeitures, utilizing straight-line amortization of compensation expense over the requisite service period of the grant.

The Company measures the value of service and performance-based restricted stock on the fair value of a share of common stock on the date of the grant. The Company amortizes the fair value of service-based restricted stock utilizing straight-line amortization of compensation expense over the requisite service period of the grant.

The Company amortizes the fair value of the performance-based restricted stock based on the determination of the probable outcome of the performance condition. If the performance condition is expected to be met, then the Company amortizes the fair value of the number of shares expected to vest utilizing straight-line basis over the requisite performance period of the grant. However, if the associated performance condition is not expected to be met, then the Company does not recognize the stock-based compensation expense.

Income Taxes – The Company accounts for income taxes in accordance with FASB ASC Topic 740, “Income Taxes” (“ASC 740”). This statement requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered.

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In accordance with ASC 740, the Company assesses its deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable. A valuation allowance is required to be established or maintained when, based on currently available information, it is more likely than not that all or a portion of a deferred tax asset will not be realized. In accordance with ASC 740, the Company's assessment considers whether there has been sufficient income in recent years and whether sufficient income is expected in future years in order to utilize the deferred tax asset. In evaluating the realizability of deferred income tax assets, the Company considered, among other things, historical levels of income, expected future income, the expected timing of the reversals of existing temporary reporting differences, and the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits. Significant judgment is required in determining the future tax consequences of events that have been recognized in the Company's consolidated financial statements and/or tax returns. Differences between anticipated and actual outcomes of these future tax consequences could have a material impact on the Company's consolidated financial position or results of operations. Changes in, among other things, income tax legislation, statutory income tax rates, or future income levels could materially impact the Company's valuation of income tax assets and liabilities and could cause the Company's income tax provision to vary significantly among financial reporting periods.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the three months ended March 31, 2014 and 2013, the interest and penalties expense associated with uncertain tax positions did not materially impact the Company's results of operations or financial position.

2. WEIGHTED AVERAGE COMMON SHARES

The weighted average number of common shares used to compute basic and diluted loss per share for the three months ended March 31, 2014 and 2013 was as follows:

	Three Months Ended March 31,	
	2014	2013
Basic shares outstanding	22,722,721	22,413,699
Dilutive effect of stock options	-	-
Diluted shares outstanding	22,722,721	22,413,699

For the three months ended March 31, 2014 and 2013 options to acquire 177,392 and 221,705 shares, respectively, were excluded from the above table because the Company reported a net loss for each quarter and therefore their impact on reported loss per share would have been antidilutive. For the three months ended March 31, 2014 and 2013, options to acquire 61,918 and 144,471 shares, respectively, were excluded from the above table because they have an exercise price that is greater than the average market price of the Company's common stock and therefore their impact on reported loss per share would have been antidilutive.

In 2011 and 2013, the Company issued performance shares that vest when certain performance conditions are satisfied. As of March 31, 2014, these performance conditions were not met. As a result, the Company has determined these shares to be contingently issuable. Accordingly, 386,063 shares of outstanding performance shares have been excluded from the computation of diluted earnings per share for the three months ended March 31, 2014, and 100,602 shares have been excluded for the three months ended March 31, 2013. Refer to Note 6 for more information on performance shares.

3. DISCONTINUED OPERATIONS

On June 18, 2013, the Company's Board of Directors approved a plan to cease operations at four campuses in Ohio and one campus in Kentucky consisting of the Company's Dayton institution and its branch campuses. Federal legislation implemented on July 1, 2012 that prohibits “ability to benefit” students from participating in federal student financial aid programs led to a dramatic decrease in the number of students attending these five campuses. Accordingly, the Company ceased operations at these campuses as of December 31, 2013. The results of operations of these campuses are reflected as discontinued operations in the consolidated financial statements.

The results of operations at these five campuses for the three months ended March 31, 2013 was as follows (in thousands):

	Three Months Ended March 31, 2013
Revenue	$ 3,813
Operating expenses	7,482
Operating loss	$ (3,669)

Amounts include impairments of goodwill and long-lived assets for these campuses of $1.6 million for the three months ended March 31, 2013.
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4. GOODWILL AND LONG-LIVED ASSETS

The Company reviews long-lived assets for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. There was no long-lived asset impairment during the three months ended March 31, 2014. The Company concluded as of March 31, 2013, there was sufficient evidence to conclude that there were impairments of certain long-lived assets at two of the Company's campuses. Long-lived assets had been tested at these campuses as a result of certain financial indicators such as the Company's history of losses, current respective period losses, as well as future projected losses at these campuses. The long-lived assets impairment resulted in a pre-tax charge of $1.7 million (of which $1.6 million is included in discontinued operations) for leasehold improvements as of March 31, 2013.

The Company reviews goodwill and intangible assets for impairment when indicators of impairment exist. Annually, or more frequently if necessary, the Company evaluates goodwill and intangible assets with indefinite lives for impairment, with any resulting impairment reflected as an operating expense. The Company concluded that at March 31, 2014 and 2013 there was no indicator of potential impairment and, accordingly, the Company did not test goodwill for impairment.

The carrying amount of goodwill at March 31, 2014 is as follows:

	Gross Goodwill Balance	Accumulated Impairment Losses	Net Goodwill Balance
Balance as of January 1, 2014	$117,176	$ (54,711)	$62,465
Adjustments	-	-	-
Balance as of March 31, 2014	$117,176	$ (54,711)	$62,465

Intangible assets, which are included in other assets in the accompanying condensed consolidated balance sheets, consist of the following:

	Indefinite Trade Name	Trade Name	Accreditation	Curriculum	Non-compete	Total
Gross carrying amount at December 31, 2013	$ 180	$335	$ 1,166	$ 1,124	$ 200	$3,005
Adjustments	-	-	-	-	-	-
Gross carrying amount at March 31, 2014	180	335	1,166	1,124	200	3,005
Accumulated amortization at December 31, 2013	-	228	-	828	68	1,124
Amortization	-	12	-	28	10	50
Accumulated amortization at March 31, 2014	-	240	-	856	78	1,174
Net carrying amount at March 31, 2014	$ 180	$95	$ 1,166	$ 268	$ 122	$1,831
Weighted average amortization period (years)	Indefinite	7	Indefinite	9	5	

Amortization of intangible assets was approximately $0.1 million for each of the three months ended March 31, 2014 and 2013.

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The following table summarizes the estimated future amortization expense:

Year Ending December 31,	
Remainder of 2014	$151
2015	156
2016	112
2017	46
2018	19
Thereafter	1
	$485

5. LONG-TERM DEBT AND LEASE OBLIGATIONS

Long-term debt and lease obligations consist of the following:

	March 31, 2014	December 31, 2013
Credit agreement (a)	$5,000	$ 54,500
Finance obligation (b)	9,672	9,672
Capital lease-property (rate of 8.0%) (c)	25,837	25,944
	40,509	90,116
Less current maturities	(443)	(435)
	$40,066	$ 89,681

(a) On April 5, 2012, the Company, as borrower, and certain of its wholly-owned subsidiaries, as guarantors, entered into a secured revolving credit agreement with a syndicate of four lenders led by Bank of America, N.A., as administrative agent and letter of credit issuer (the "Credit Facility"). The April 5, 2012 agreement, along with subsequent amendments dated June 18, 2013 and December 20, 2013, are collectively referred to as the "Credit Agreement."

As of December 31, 2013, the aggregate principal amount available under the Credit Facility was $60 million. Under the terms of the Credit Agreement, effective January 16, 2014, this amount was reduced to $40 million. The Credit Facility may be used to finance capital expenditures and permitted acquisitions, to pay transaction expenses, for the issuance of letters of credit and for general corporate purposes. The Credit Agreement includes a $25 million letter of credit sublimit. Borrowings under the Credit Facility are secured by a first priority lien on substantially all of the tangible and intangible assets of the Company and its subsidiaries including real estate. The term of the Credit Facility is 36 months, maturing on April 5, 2015.

The Credit Agreement provides that the lenders will receive first priority lien on substantially all of the tangible and intangible non-real property assets of the Company and its subsidiaries as well as a first priority lien on substantially all real property owned by the Company and its subsidiaries and that all net proceeds of future sales of real property by the Company and its subsidiaries be used to prepay revolving loans and permanently reduce the principal amount of revolving loans available under the Credit Facility.

Amounts borrowed as revolving loans under the Credit Facility will bear interest, at the Company's option, at either (i) an interest rate based on LIBOR and adjusted for any reserve percentage obligations under Federal Reserve Bank regulations (the "Eurodollar Rate") for specified interest periods or (ii) the Base Rate (as defined in the Credit Agreement), in each case, plus an applicable margin rate as determined under the Credit Agreement. The "Base Rate", as defined under the Credit Agreement, is the highest of (a) the rate of interest announced from time to time by Bank of America, N.A. as its prime rate, (b) the Federal Funds rate plus 0.50% and (c) a daily rate equal to the one-month LIBOR rate plus 1.0%. Pursuant to the Credit Agreement, the margin interest rate is subject to adjustment within a range of 2.50% to 6.00% based upon changes in the Company's consolidated leverage ratio and depending on whether the Company has chosen the Eurodollar Rate or the Base Rate option. Letters of credit will require a fee equal to the applicable margin rate multiplied by the daily amount available to be drawn under each issued letter of credit plus an agreed upon fronting fee and customary issuance, presentation, amendment and other processing fees associated with letters of credit.

At March 31, 2014, the Company had outstanding letters of credit aggregating $5.3 million, which were primarily comprised of letters of credit for the Department of Education, or DOE, matters and real estate leases.

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The Credit Agreement contains representations, warranties and covenants including consolidated adjusted net worth, consolidated leverage ratio, consolidated fixed charge coverage ratio, minimum financial responsibility composite score, cohort default rate and other financial covenants, certain restrictions on capital expenditures as well as affirmative and negative covenants and events of default customary for facilities of this type. In addition, the Company is paying fees to the lenders that are customary for facilities of this type. As of March 31, 2014 the Company is in compliance with all financial covenants.

As of March 31, 2014 the Company borrowed $5.0 million under the Credit Facility. The interest rates on these borrowings were 7.25%. The Company had $54.5 million outstanding under the Credit Agreement as of December 31, 2013 which was repaid on January 3, 2014. The interest rate on this borrowing was 7.25%.

(b) The Company completed a sale and a leaseback of several facilities on December 28, 2001. The Company retains a continuing involvement in the lease and, as a result, it is prohibited from utilizing sale-leaseback accounting. Accordingly, the Company has treated this transaction as a finance lease. The lease expires on December 31, 2016.

(c) In 2009, the Company assumed real estate capital leases in Fern Park, Florida and Hartford, Connecticut. These leases bear interest at 8% and expire in 2032 and 2031, respectively.

Scheduled maturities of long-term debt and lease obligations at March 31, 2014 are as follows:

Year ending December 31,	
2014	$443
2015	5,480
2016	10,301
2017	763
2018	826
Thereafter	22,696
	$40,509

6. STOCKHOLDERS' EQUITY

Restricted Stock

The Company has two stock incentive plans: a Long-Term Incentive Plan (the "LTIP") and a Non-Employee Directors Restricted Stock Plan (the "Non-Employee Directors Plan").

Under the LTIP, certain employees received awards of restricted shares of common stock based on service and performance. The number of shares granted to each employee is based on the fair market value of a share of common stock on the date of grant.

All service-based restricted shares granted prior to February 23, 2011 vest ratably on the first through fifth anniversaries of the grant date. The service-based restricted shares granted on or after February 23, 2011 vest ratably on the grant date and the first through fourth anniversaries of the grant date.

On April 29, 2013, performance-based shares were granted which vest over four years based upon the attainment of (i) a specified operating income margin during any one or more of the fiscal years in the period beginning January 1, 2013 and ending December 31, 2016 and (ii) the attainment of earnings before interest, taxes, depreciation and amortization targets during each of the fiscal years ended December 31, 2013 through 2016. There is no vesting period on the right to vote or the right to receive dividends on any of the restricted shares.

On April 29, 2011, performance-based shares were granted which vest over four years based upon the attainment of (i) a specified operating income margin during any one or more of the fiscal years in the period beginning January 1, 2011 and ending December 31, 2014 and (ii) the attainment of earnings before interest, taxes, depreciation and amortization targets during each of the fiscal years ended December 31, 2011 through 2014. There is no vesting period on the right to vote or the right to receive dividends on any of the restricted shares.

Pursuant to the Non-Employee Directors Plan, each non-employee director of the Company receives an annual award of restricted shares of common stock on the date of the Company's annual meeting of shareholders. The number of shares granted to each non-employee director is based on the fair market value of a share of common stock on that date. The restricted shares vest on the first anniversary of the grant date; however, there is no vesting period on the right to vote or the right to receive dividends on these restricted shares.

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For the three months ended March 31, 2014 and 2013, the Company completed a net share settlement for 15,209 and 56,635 restricted shares, respectively, on behalf of certain employees that participate in the LTIP upon the vesting of the restricted shares pursuant to the terms of the LTIP. The net share settlement was in connection with income taxes incurred on restricted shares that vested and were transferred to the employee during 2014 and/or 2013, creating taxable income for the employee. At the employees' request, the Company will pay these taxes on behalf of the employees in exchange for the employees returning an equivalent value of restricted shares to the Company. These transactions resulted in a decrease of approximately $0.1 million and $0.4 million for the three months ended March 31, 2014 and 2013, respectively, to equity on the consolidated balance sheets as the cash payment of the taxes effectively was a repurchase of the restricted shares granted in previous years.

The following is a summary of transactions pertaining to restricted stock:

	Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested restricted stock outstanding at December 31, 2013	1,247,946	$ 6.77
Canceled	(111,864)	9.99
Vested	(36,423)	15.32
Nonvested restricted stock outstanding at March 31, 2014	1,099,659	6.16

The restricted stock expense for the three months ended March 31, 2014 and 2013 was $1.0 million and $1.2 million, respectively. The unrecognized restricted stock expense as of March 31, 2014 and December 31, 2013 was $5.3 million and $6.8 million, respectively. As of March 31, 2014, outstanding restricted shares under the LTIP had aggregate intrinsic value of $4.1 million.

Stock Options

The fair value of the stock options used to compute stock-based compensation is the estimated present value at the date of grant using the Black-Scholes option pricing model. The following is a summary of transactions pertaining to stock options:

	Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2013	547,125	$ 14.73	4.56 years	$ -
Canceled	(21,500)	13.21		-
Outstanding at March 31, 2014	525,625	14.80	4.32 years	-
Vested or expected to vest	516,493	14.92	4.25 years	-
Exercisable as of March 31, 2014	479,965	15.46	3.97 years	-

As of March 31, 2014, the unrecognized pre-tax compensation expense for all unvested stock option awards was $0.1 million. This amount will be expensed over the weighted-average period of approximately 0.92 years.

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The following table presents a summary of stock options outstanding:

	At March 31, 2014				
	Stock Options Outstanding			Stock Options Exercisable	
Range of Exercise Prices	Shares	Contractual Weighted Average Life (years)	Weighted Average Price	Shares	Weighted Average Exercise Price
$4.00-$13.99	244,792	5.87	$ 9.63	199,132	$ 10.05
$14.00-$19.99	182,333	3.11	17.67	182,333	17.67
$20.00-$25.00	98,500	2.70	22.32	98,500	22.32
	525,625	4.32	14.80	479,965	15.46

7. INCOME TAXES

The provision for income taxes for the three months ended March 31, 2014 was $0.4 million, or (4.0%) of pretax loss, compared to a benefit for income taxes of $3.2 million, or 37.8%, of pretax loss for the quarter ended March 31, 2013. No federal or state income tax benefit was recognized for the current period loss due to the recognition of a full valuation allowance. Income tax expense for the three months ended March 31, 2014 resulted from an increase in deferred tax liabilities associated with indefinite-lived intangible assets and various state tax expenses.

The Company assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative losses incurred by the Company in recent years. On the basis of this evaluation the realization of the Company's deferred tax assets was not deemed to be more likely than not and thus the Company has provided a valuation allowance on its net deferred tax assets.

8. CONTINGENCIES

In the ordinary conduct of its business, the Company is subject to lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against it, the Company does not believe that any currently pending legal proceedings to which it is a party will have a material adverse effect on the Company's business, financial condition, and results of operations or cash flows.

9. PENSION PLAN

The Company sponsors a noncontributory defined benefit pension plan covering some of the Company's employees who were employed by the Company prior to 1995. Benefits are provided based on employees' years of service and earnings. This plan was frozen on December 31, 1994. The total amount of the Company's contributions paid under its pension plan was zero for the three months ended March 31, 2014 and $0.3 million for the three months ended March 31, 2013. The net periodic benefit cost was $0.1 million and $0.3 million for the three months ended March 31, 2014 and 2013, respectively.

10. DIVIDENDS

In March 2014, the Company's Board of Directors declared a quarterly cash dividend of $0.07 per share of common stock outstanding, which was paid on March 31, 2014 to shareholders of record on March 14, 2014. The establishment of future record and payment dates is subject to the final determination of the Company's Board of Directors.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion may contain forward-looking statements regarding us, our business, prospects and our results of operations that are subject to certain risks and uncertainties posed by many factors and events that could cause our actual business, prospects and results of operations to differ materially from those that may be anticipated by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission ("SEC") and in our other filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may subsequently arise. Readers are urged to carefully review and consider the various disclosures made by us in this report and in our other reports filed with the SEC that advise interested parties of the risks and factors that may affect our business.

The interim financial statements filed on this Form 10-Q and the discussions contained herein should be read in conjunction with the annual financial statements and notes included in our Form 10-K for the year ended December 31, 2013, as filed with the SEC, which includes audited consolidated financial statements for our three fiscal years ended December 31, 2013.

General

We are a leading provider of diversified career-oriented post-secondary education. We offer recent high school graduates and working adults career-oriented programs in five areas of study: automotive technology, health sciences, skilled trades, hospitality services and business and information technology. Each area of study is specifically designed to appeal to and meet the educational objectives of our student population, while also satisfying the criteria established by industry and employers. The resulting diversification limits dependence on any one industry for enrollment growth or placement opportunities and broadens potential branches for introducing new programs. As of March 31, 2014, we enrolled 14,311 students in diploma and degree programs and 247 in short programs at our 33 campuses and five training sites in 15 states. Our campuses primarily attract students from their local communities and surrounding areas, although our five destination campuses attract students from across the United States, and in some cases, from abroad.

Discontinued Operations

On June 18, 2013, our Board of Directors approved a plan to cease operations at four campuses in Ohio and one campus in Kentucky consisting of our Dayton institution and its branch campuses. Federal legislation implemented on July 1, 2012 that prohibits "ability to benefit" students from participating in federal student financial aid programs led to a dramatic decrease in the number of students attending these five campuses. Accordingly, the Company ceased operations at these campuses as of December 31, 2013. The results of operations of these campuses are reflected as discontinued operations in the consolidated financial statements.

The results of operations at these five campuses for the three months ended March 31, 2013 was as follows (in thousands):

Three
Months
Ended
March
31,

	2013
Revenue	$ 3,813
Operating expenses	7,482
Operating loss	$ (3,669)

Amounts include impairments of goodwill and long-lived assets for these campuses of $1.6 million for the three months ended March 31, 2013.

Critical Accounting Policies and Estimates

Our discussions of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. On an ongoing basis, we evaluate our estimates and assumptions, including those related to revenue recognition, bad debts, fixed assets, goodwill and other intangible assets, income taxes and certain accruals and contingencies. Actual results could differ from those estimates. The critical accounting policies discussed herein are not intended to be a comprehensive list of all of our accounting policies. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not result in significant management judgment in the application of such principles. We believe that the following accounting policies are most critical to us in that they represent the primary areas where financial information is subject to the application of management's estimates, assumptions and judgment in the preparation of our consolidated financial statements.

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Revenue recognition. Revenues are derived primarily from programs taught at our schools. Tuition revenues, textbook sales and one-time fees, such as nonrefundable application fees and course material fees, are recognized on a straight-line basis over the length of the applicable program, which is the period of time from a student's start date through his or her graduation date, including internships or externships that take place prior to graduation. If a student withdraws from a program prior to a specified date, any paid but unearned tuition is refunded. Refunds are calculated and paid in accordance with federal, state and accrediting agency standards. Other revenues, such as tool sales and contract training revenues are recognized as services are performed or goods are delivered. On an individual student basis, tuition earned in excess of cash received is recorded as accounts receivable, and cash received in excess of tuition earned is recorded as unearned tuition.

Allowance for uncollectible accounts. Based upon our experience and judgment, we establish an allowance for uncollectible accounts with respect to tuition receivables. We use an internal group of collectors, augmented by third-party collectors as deemed appropriate, in our collection efforts. In establishing our allowance for uncollectible accounts, we consider, among other things, current and expected economic conditions, a student's status (in-school or out-of-school), whether or not a student is currently making payments and overall collection history. Changes in trends in any of these areas may impact the allowance for uncollectible accounts. The receivables balances of withdrawn students with delinquent obligations are reserved based on our collection history. Although we believe that our reserves are adequate, if the financial condition of our students deteriorates, resulting in an impairment of their ability to make payments, additional allowances may be necessary, which will result in increased selling, general and administrative expenses in the period such determination is made.

Our bad debt expense as a percentage of revenue for the three months ended March 31, 2014 and 2013 was 3.9% and 4.0%, respectively. Our exposure to changes in our bad debt expense could impact our operations. A 1% increase in our bad debt expense as a percentage of revenues for the three months ended March 31, 2014 and 2013 would have resulted in an increase in bad debt expense of $0.8 million and $0.9 million, respectively.

We do not believe that there is any direct correlation between tuition increases, the credit we extend to students and our loan commitments. Our loan commitments to our students are made on a student-by-student basis and are predominantly a function of the specific student's financial condition. We only extend credit to the extent there is a financing gap between the tuition charged for the program and the amount of grants, loans and parental loans each student receives. Each student's funding requirements are unique. Factors that determine the amount of aid available to a student are student status (whether they are dependent or independent students), Pell Grants awarded, Plus loans awarded or denied to parents and family contributions. As a result, it is extremely difficult to predict the number of students that will need us to extend credit to them. Our tuition increases have ranged historically from 3% to 5% annually and have not meaningfully impacted overall funding requirements.

Because a substantial portion of our revenue is derived from Title IV programs, any legislative or regulatory action that significantly reduces the funding available under Title IV programs or the ability of our students or schools to participate in Title IV programs could have a material effect on the realizability of our receivables.

Goodwill. We test our goodwill for impairment annually, or whenever events or changes in circumstances indicate an impairment may have occurred, by comparing its fair value to its carrying value. Impairment may result from, among other things, deterioration in the performance of the acquired business, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of the acquired business, and a variety of other circumstances. If we determine that impairment has occurred, we are required to record a write-down of the carrying value and charge the impairment as an operating expense in the period the determination is made. In evaluating the recoverability of the carrying value of goodwill and other indefinite-lived intangible assets, we must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the acquired assets. Changes in strategy or market conditions could significantly impact these judgments in the future and require an adjustment to the recorded balances.

Goodwill represents a significant portion of our total assets. As of March 31, 2014, goodwill represented approximately $62.5 million, or 25.8%, of our total assets.

There was no goodwill impairment during the three months ended March 31, 2014 and 2013.

Long-lived assets. We review the carrying value of our long-lived assets and identifiable intangibles for possible impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. We evaluate long-lived assets for impairment by examining estimated future cash flows. These cash flows are evaluated by using weighted probability techniques as well as comparisons of past performance against projections. Assets may also be evaluated by identifying independent market values. If we determine that an asset's carrying value is impaired, we will record a write-down of the carrying value of the asset and charge the impairment as an operating expense in the period in which the determination is made.

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We review long-lived assets for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. There was no long-lived asset impairment during the three months ended March 31, 2014. We concluded as of March 31, 2013, there was sufficient evidence to conclude that there were impairments of certain long-lived assets at two of our campus. Long lived assets had been tested at these campuses as a result of certain financial indicators such as our history of losses, our current respective period losses, as well as future projected losses at these campuses. The long-lived assets impairment resulted in a pre-tax charge of $1.7 million (of which $1.6 million is included in discontinued operations) for leasehold improvements as of March 31, 2013.

Bonus costs. We accrue the estimated cost of our bonus programs using current financial information as compared to target financial achievements and key performance objectives. Although our recorded liability for bonuses is based on our best estimate of the obligation, actual results could differ and require adjustment of the recorded balance.

Income taxes. We account for income taxes in accordance with FASB ASC Topic 740, “Income Taxes” (“ASC 740”). This statement requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statement and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for years in which taxes are expected to be paid or recovered.

In accordance with ASC 740, we assess our deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable. A valuation allowance is required to be established or maintained when, based on currently available information, it is more likely than not that all or a portion of a deferred tax asset will not be realized. In accordance with ASC 740, our assessment considers whether there has been sufficient income in recent years and whether sufficient income is expected in future years in order to utilize the deferred tax asset. In evaluating the realizability of deferred income tax assets, we considered, among other things, historical levels of income, expected future income, the expected timing of the reversals of existing temporary reporting differences, and the expected impact of tax planning strategies that may be implemented to prevent the potential loss of future income tax benefits. Significant judgment is required in determining the future tax consequences of events that have been recognized in our consolidated financial statements and/or tax returns. Differences between anticipated and actual outcomes of these future tax consequences could have a material impact on our consolidated financial position or results of operations. Changes in, among other things, income tax legislation, statutory income tax rates, or future income levels could materially impact our valuation of income tax assets and liabilities and could cause our income tax provision to vary significantly among financial reporting periods. On the basis of this evaluation the realization of our deferred tax assets was not deemed to be more likely than not and thus we have provided a valuation allowance on our net deferred tax assets.

We recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense. During the three months ended March 31, 2014 and 2013, the interest and penalties expense associated with uncertain tax positions did not materially impact our results of operations or financial position.

Effect of Inflation

Inflation has not had a material effect on our operations.

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Results of Continuing Operations

Certain reported amounts in our analysis have been rounded for presentation purposes.

The following table sets forth selected consolidated statements of operations data as a percentage of revenues for each of the periods indicated:

	Three Months Ended March 31,	
	2014	2013
Revenue	100.0%	100.0%
Costs and expenses:		
Educational services and facilities	53.4 %	50.5 %
Selling, general and administrative	58.4 %	58.0 %
Impairment of goodwill and long-lived assets	0.0 %	0.1 %
Total costs and expenses	111.8%	108.6%
Operating loss	-11.8 %	-8.6 %
Interest expense, net	-1.6 %	-1.2 %
Loss from continuing opeartions before income taxes	-13.4 %	-9.8 %
Provision (benefit) for income taxes	0.5 %	-3.7 %
Loss from continuing operations	-13.9 %	-6.1 %

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2014

Revenue. Revenue decreased by $6.3 million, or 7.3%, to $80.0 million for the quarter ended March 31, 2014 from $86.3 million for the quarter ended March 31, 2013. The decrease was primarily attributable to a 9.0% decrease in average student population, which decreased to 14,165 for the quarter ended March 31, 2014 from 15,569 for the quarter ended March 31, 2013, partially offset by a 1.9% increase in average revenue per student. We began 2014 with approximately 1,800, or 11.4%, fewer students than we had on January 1, 2013.

The average student population was negatively impacted by regulatory changes under the Appropriations Act, Public Law 112-74, which eliminated our ability to enroll ATB students as well as our decision in early 2013 to stop enrolling fully online students. These factors have led to a significant decline in average student population.

Average revenue per student increased 1.9% for the quarter ended March 31, 2014 from the quarter ended March 31, 2013, primarily as a result of tuition increases and improved student retention. For a general discussion of trends in our student enrollment, see “- Seasonality and Trends” below.

Educational services and facilities expense. Our educational services and facilities expense decreased by $0.9 million, or 2.0%, to $42.7 million for the quarter ended March 31, 2014 from $43.6 million for the quarter ended March 31, 2013. This decrease in educational services and facilities expense was due to a $1.4 million, or 6.3%, decrease in instructional expenses, partially offset by a $0.6 million, or 1.1%, increase in facilities expenses.

The decrease in instructional expenses was primarily due to a reduction in the number of instructors and other related costs at our campuses resulting from a lower student population. The increase in facilities expenses was primarily due to increases in building maintenance, commercial property insurance and utility expenses for the quarter ended March 31, 2014 compared to the quarter ended March 31, 2013.

Our educational expenses contain a high fixed cost component and are not as leverageable as some of our other expenses. As our student population decreases, we typically experience a reduction in average class size and, therefore, are not always able to align these expenses with the corresponding decrease in population.

As a result, educational services and facilities expenses, as a percentage of revenue, increased to 53.4% for the quarter ended March 31, 2014 from 50.5% for the quarter ended March 31, 2013.

Selling, general and administrative expense. Our selling, general and administrative expense for the quarter ended March 31, 2014 was $46.7 million, a decrease of $3.3 million, or 6.6%, from $50.0 million for the quarter ended March 31, 2013. This decrease was primarily due to a $2.3 million, or 8.2%, decrease in administrative expenses and a $0.9 million, or 5.0%, decrease in sales and marketing expenses.

The decrease in administrative expenses was primarily due to a $1.4 million decreased in compensation and benefits and a $0.3 million reduction in bad debt expense.

Bad debt expense as a percentage of revenue for the quarter ended March 31, 2014 was 3.9% essentially flat with the quarter ended March 31, 2013.

The decrease in sales and marketing expenses was primarily due to a reduction in marketing expenses as well as a reduction in the number of admissions representatives as we aligned our cost structure to our student population.

As a percentage of revenues, selling, general and administrative expense for the quarter ended March 31, 2014 increased to 58.4% from 58.0% for the quarter ended March 31, 2013.

As of March 31, 2014, we had outstanding loan commitments to our students of $33.7 million as compared to $36.5 million at December 31, 2013. Loan commitments, net of interest that would be due on the loans through maturity, were $23.9 million at March 31, 2014 as compared to $26.5 million at December 31, 2013.

Net interest expense. Our net interest expense for the quarter ended March 31, 2014 was $1.3 million, an increase of $0.2 million, from $1.1 million for the quarter ended March 31, 2013. This increase was attributable to an increase in outstanding borrowings under our Credit Facility (as defined below).

Income taxes. Our provision for income taxes for the quarter ended March 31, 2014 was $0.4 million, or (4.0%) of pretax loss, compared to a benefit for income taxes of $3.2 million, or 37.8%, of pretax loss for the quarter ended March 31, 2013. No federal or state income tax benefit was recognized for the current period loss due to the recognition of a full valuation allowance. Income tax expense for the quarter ended March 31, 2014 resulted from an increase in deferred tax liabilities associated with indefinite-lived intangible assets and various state tax expenses.

We assess the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence was the cumulative losses incurred by us in recent years. On the basis of this evaluation the realization of our deferred tax assets was not deemed to be more likely than not and thus we have provided a valuation allowance on our net deferred tax assets.

Liquidity and Capital Resources

Our primary capital requirements are for facility maintenance and expansion, acquisitions and the development of new programs. Our principal sources of liquidity have been cash provided by operating activities and borrowings under our Credit Facility.

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The following chart summarizes the principal elements of our cash flows (in thousands):

	Three Months Ended March 31,	
	2014	2013
Net cash used in operating activities	$(8,380)	$(4,219)
Net cash used in investing activities	(576)	(574)
Net cash provided by (used in) financing activities	3,156	(39,626)

As of March 31, 2014, we had cash and cash equivalents of $7.1 million, representing a decrease of approximately $5.8 million as compared to $12.9 million of cash and cash equivalents as of December 31, 2013. This decrease is primarily due a net loss during the quarter ended March 31, 2014 of $11.1 million partially offset by $5.0 million of borrowings under our Credit Facility during the first quarter of 2014. In addition, we repaid $54.5 million of borrowings under our Credit Facility in the first quarter of 2014 which was included in restricted cash as of December 31, 2013. Historically, we have financed our operating activities and organic growth primarily through cash generated from operations. We have financed acquisitions primarily through borrowings under our Credit Facility and cash generated from operations. We currently anticipate that we will be able to meet our short-term cash needs, as well as our need to fund operations and meet our obligations beyond the next twelve months with cash generated by operations, existing cash balances and borrowings under our Credit Facility. In addition, we may also consider accessing the financial markets in the future as a source of liquidity for capital requirements, acquisitions and general corporate purposes to the extent such requirements are not satisfied by cash on hand, borrowings under our Credit Facility or operating cash flows. However, we cannot assure you that we will be able to raise additional capital on favorable terms, if at all. As of March 31, 2014, we had $5.0 million outstanding under our Credit Agreement. As of March 31, 2014, we had outstanding letters of credit aggregating $5.3 million, which primarily comprised of letters of credit for the DOE and security deposits in connection with certain of our real estate leases.

Our primary source of cash is tuition collected from our students. The majority of students enrolled at our schools rely on funds received under various government-sponsored student financial aid programs to pay a substantial portion of their tuition and other education-related expenses. The largest of these programs are Title IV Programs which represented approximately 80% of our cash receipts relating to revenues in 2013. Students must apply for a new loan for each academic period. Federal regulations dictate the timing of disbursements of funds under Title IV Programs and loan funds are generally provided by lenders in two disbursements for each academic year. The first disbursement is usually received approximately 31 days after the start of a student's academic year and the second disbursement is typically received at the beginning of the sixteenth week from the start of the student's academic year. Certain types of grants and other funding are not subject to a 30-day delay. In certain instances, if a student withdraws from a program prior to a specified date, any paid but unearned tuition or prorated Title IV financial aid is refunded according to federal, state and accrediting agency standards.

As a result of the significance of the Title IV funds received by our students, we are highly dependent on these funds to operate our business. Any reduction in the level of Title IV funds that our students are eligible to receive or any impact on our ability to be able to receive Title IV funds would have a significant impact on our operations and our financial condition. See “Risk Factors” in Item 1A, included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Operating Activities

Net cash used in operating activities was $8.4 million for the three months ended March 31, 2014 as compared to $4.2 million for three months ended March 31, 2013. The $4.2 million decrease in net cash primarily resulted from a reduction in net income and other working capital items.

Investing Activities

Net cash used in investing activities for the quarter ended March 31, 2014 was $0.6 million essentially flat compared to the quarter ended March 31, 2013. Our primary use of cash in investing activities was capital expenditures.

Capital expenditures are expected to approximate 1% to 3% of revenues in 2014 as compared to 1.9% in 2013. We expect to fund these capital expenditures with cash generated from operating activities and, if necessary, with borrowings under our credit facility.

We currently lease a majority of our campuses. We own our campuses in Grand Prairie, Texas; West Palm Beach, Florida; Nashville, Tennessee; Cincinnati (Tri-County), Ohio; Suffield, Connecticut; and Denver, Colorado. Our Cincinnati (Tri-County), Ohio and Suffield, Connecticut locations are held for sale. Although our current growth strategy is to continue our organic growth, strategic acquisitions of operations will be considered. To the extent that these potential strategic acquisitions are large enough to require financing beyond available cash from operations and borrowings under our Credit Facility, we may incur additional debt and/or issue additional debt or equity securities.

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Financing Activities

Net cash provided by financing activities was $3.2 million for the quarter ended March 31, 2014, as compared to net cash used in financing activities of $39.6 million for the quarter ended March 31, 2013. The increase of $42.8 million was primarily attributable to $5.0 of net proceeds from borrowing for the quarter ended March 31, 2014 as compared to net payments on borrowings of $37.5 million for the quarter ended March 31, 2013.

Credit Agreement

On April 5, 2012, we, as borrower, and certain of our wholly-owned subsidiaries, as guarantors, entered into a secured revolving credit agreement with a syndicate of four lenders led by Bank of America, N.A., as administrative agent and letter of credit issuer (the “Credit Facility”). The April 5, 2012 agreement, along with subsequent amendments dated June 18, 2013 and December 20, 2013, are collectively referred to as the “Credit Agreement.”

As of December 31, 2013, the aggregate principal amount available under the Credit Facility was $60 million. Under the terms of the Credit Agreement, effective January 16, 2014, this amount was reduced to $40 million. The Credit Facility may be used to finance capital expenditures and permitted acquisitions, to pay transaction expenses, for the issuance of letters of credit and for general corporate purposes. The Credit Agreement includes a $25 million letter of credit sublimit. Borrowings under the Credit Facility are secured by a first priority lien on substantially all of our and our subsidiaries’ the tangible and intangible assets of the Company and its subsidiaries including real estate. The term of the Credit Facility is 36 months, maturing on April 5, 2015.

The Credit Agreement provides that the lenders will receive first priority lien on substantially all of our tangible and intangible non-real property assets of our and our subsidiaries as well as a first priority lien on substantially all real property owned by us and our subsidiaries and that all net proceeds of future sales of real property by our and our subsidiaries be used to prepay revolving loans and permanently reduce the principal amount of revolving loans available under the Credit Facility.

Amounts borrowed as revolving loans under the Credit Facility will bear interest, at our option, at either (i) an interest rate based on LIBOR and adjusted for any reserve percentage obligations under Federal Reserve Bank regulations (the “Eurodollar Rate”) for specified interest periods or (ii) the Base Rate (as defined in the Credit Agreement), in each case, plus an applicable margin rate as determined under the Credit Agreement. The “Base Rate”, as defined under the Credit Agreement, is the highest of (a) the rate of interest announced from time to time by Bank of America, N.A. as its prime rate, (b) the Federal Funds rate plus 0.50% and (c) a daily rate equal to the one-month LIBOR rate plus 1.0%. Pursuant to the Amendment, the margin interest rate is subject to adjustment within a range of 2.50% to 6.00% based upon changes in our consolidated leverage ratio and depending on whether we have chosen the Eurodollar Rate or the Base Rate option. Letters of credit will require a fee equal to the applicable margin rate multiplied by the daily amount available to be drawn under each issued letter of credit plus an agreed upon fronting fee and customary issuance, presentation, amendment and other processing fees associated with letters of credit.

The Credit Agreement contains representations, warranties and covenants including consolidated adjusted net worth, consolidated leverage ratio, consolidated fixed charge coverage ratio, minimum financial responsibility composite score, cohort default rate and other financial covenants, certain restrictions on capital expenditures as well as affirmative and negative covenants and events of default customary for facilities of this type. In addition, we are paying fees to the lenders that are customary for facilities of this type. As of March 31, 2014 we are in compliance with all financial covenants.

The following table sets forth our long-term debt (in thousands):

	March 31, 2014	December 31, 2013
Credit agreement	$5,000	$ 54,500
Finance obligation	9,672	9,672
Capital lease-property (rate of 8.0%)	25,837	25,944
	40,509	90,116
Less current maturities	(443)	(435)
	$40,066	$ 89,681

We believe that our working capital, cash flows from operations and borrowings available from our Credit Facility will provide us with adequate resources for our ongoing operations through 2014 as well as our currently identified and planned capital expenditures.

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Contractual Obligations

Long-term Debt. As of March 31, 2014, our long-term debt consisted of borrowings under our Credit Facility, the finance obligation in connection with our sale-leaseback transaction in 2001 and amounts due under capital lease obligations.

Lease Commitments. We lease offices, educational facilities and equipment for varying periods through the year 2032 at base annual rentals (excluding taxes, insurance, and other expenses under certain leases).

The following table contains supplemental information regarding our total contractual obligations as of March 31, 2014 (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	2-3 years	4-5 years	After 5 years
Credit agreement	$5,000	$-	$5,000	$-	$-
Capital leases (including interest)	49,413	2,494	5,096	5,356	36,467
Operating leases	114,218	20,908	33,762	27,660	31,888
Rent on finance obligation	4,300	1,564	2,736	-	-
Total contractual cash obligations	$172,931	$24,966	$46,594	$33,016	$68,355

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of March 31, 2014, except for our letters of credit of $5.3 million which are primarily comprised of letters of credit for the DOE and security deposits in connection with certain of our real estate leases. These off-balance sheet arrangements do not adversely impact our liquidity or capital resources.

Seasonality and Trends

Seasonality

Our revenue and operating results normally fluctuate as a result of seasonal variations in our business, principally due to changes in total student population. Student population varies as a result of new student enrollments, graduations and student attrition. Historically, our schools have had lower student populations in our first and second quarters and we have experienced larger class starts in the third and fourth quarters and higher student attrition in the first half of the year. Our second half growth is largely dependent on a successful high school recruiting season. We recruit our high school students several months ahead of their scheduled start dates, and thus, while we have visibility on the number of students who have expressed interest in attending our schools, we cannot predict with certainty the actual number of new student enrollments and the related impact on revenue. Our expenses, however, typically do not vary significantly over the course of the year with changes in our student population and revenue. During the first half of the year, we make significant investments in marketing, staff, programs and facilities to ensure that we meet our second half of the year targets and, as a result, such expenses do not fluctuate significantly on a quarterly basis. To the extent new student enrollments, and related revenue, in the second half of the year fall short of our estimates, our operating results could be negatively impacted. We expect quarterly fluctuations in operating results to continue as a result of seasonal enrollment patterns. Such patterns may change as a result of new school openings, new program introductions, and increased enrollments of adult students and/or acquisitions.

90/10 Rule

Under the HEA reauthorization, a proprietary institution that derives more than 90% of its total revenue from Title IV Programs, or 90/10 Rule percentage, for two consecutive fiscal years becomes immediately ineligible to participate in Title IV Programs and may not reapply for eligibility until the end of at least two fiscal years. An institution with revenues exceeding 90% for a single fiscal year ending after August 14, 2008 will be placed on provisional certification and may be subject to other enforcement measures. If an institution violated the 90/10 Rule and became ineligible to participate in Title IV Programs but continued to disburse Title IV Program funds, the DOE would require the institution to repay all Title IV Program funds received by the institution after the effective date of the loss of eligibility.

We have calculated that, for our 2013 fiscal year, our institutions' 90/10 Rule percentages ranged from 69% to 85%. For 2012 and 2011 none of our existing institutions derived more than 90% of their revenues from Title IV Programs. We regularly monitor compliance with this requirement to minimize the risk that any of our institutions would derive more than the maximum percentage of its revenues from Title IV Programs for any fiscal year. Our calculations may be subject to review by the DOE.

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Effective July 1, 2008, the annual Stafford loans available for undergraduate students under the Federal Family Education Loan Program, or FFEL program, increased. This increase, coupled with increases in grants from the Pell program and other Title IV loan limits, resulted in some of our schools experiencing an increase in the proportion of revenues they receive from Title IV Programs. The HEA reauthorization provided temporary relief from the impact of the loan limit increases by counting as non-Title IV revenue in the 90/10 Rule calculation amounts received from loans received between July 1, 2008 and June 30, 2011 that are attributable to the increased annual loan limits. The HEA authorization also provided other relief by allowing institutions to include as non-Title IV revenue in its 90/10 Rule calculation the net present value of certain institutional loans subject to certain limitations and conditions. Because of the increases in Title IV student loan limits and grants in recent years, it will be increasingly difficult for us to comply with the 90/10 Rule without increasing tuition prices above the applicable maximums for Title IV student loans and grants, because this is one of the more effective methods of reducing the 90/10 Rule percentage, although this method may not be successful. Moreover, the above-mentioned relief from certain loan limit increases expired for loans received on or after July 1, 2011, and the above-mentioned institutional loan relief expired for institutional loans made on or after July 1, 2012. If Congress or the DOE were to amend the 90/10 Rule to treat other forms of federal financial aid as Title IV revenue for 90/10 purposes, to lower the 90% threshold, or to otherwise change the calculation methodology (each of which has been proposed by some Congressional members in proposed legislation), or to make other changes, those changes could make it more difficult for our institutions to comply with the 90/10 Rule. If any of our institutions loses eligibility to participate in Title IV Programs, that loss would cause an event of default under our credit agreement, and would also adversely affect our students' access to various government-sponsored student financial aid programs, which could have a material adverse effect on the rate at which our students enroll in our programs and on our business and results of operations.

Cohort Default Rates

The HEA limits participation in Title IV Programs by institutions whose former students defaulted on the repayment of federally guaranteed or funded student loans above a prescribed rate (the "cohort default rate"). The DOE calculates these rates based on the number of students who have defaulted, not the dollar amount of such defaults.

Under the HEA, an institution whose FFEL and Federal Direct Loan, or FDL, cohort default rate is 25% or greater for three consecutive federal fiscal years loses eligibility to participate in the FFEL, FDL, and Pell programs for the remainder of the federal fiscal year in which the DOE determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. An institution whose FFEL and FDL cohort default rate for any single federal fiscal year exceeds 40% loses its eligibility to participate in the FFEL and FDL programs for the remainder of the federal fiscal year in which the DOE determines that such institution has lost its eligibility and for the two subsequent federal fiscal years. If an institution's cohort default rate equals or exceeds 25% in any of its three most recent fiscal years, the institution may be placed on provisional certification status.

The HEA increased the measuring period for each cohort default rate calculation by one year. Starting with the 2009 cohort, the DOE calculates both the current two-year and the new three-year cohort default rates. Beginning with the 2011 three-year cohort default rate, which is expected to be published for each of our institutions in September 2014, the three-year rates will be applied for purposes of measuring compliance with the requirements instead of the two-year rates currently used for those purposes. If the 2011 three-year cohort default rate exceeds 40%, the institution will cease to be eligible to participate in the FDL and Federal Stafford Loan programs for the remainder of the fiscal year in which the DOE determines that such institution has lost its eligibility and for the two subsequent fiscal years. If the institution's three-year cohort default rate exceeds 30% (an increase from the current 25% threshold applicable to the two-year cohort default rates) for three consecutive years, beginning with the 2009 cohort, the institution will cease to be eligible to participate in the Pell, FDL, and FFEL programs for the remainder of the fiscal year in which the DOE determines that such institution has lost its eligibility and for the two subsequent fiscal years. On or after 2014, if an institution's three-year cohort default rate equals or exceeds 30% in two of the three most recent years for which the DOE has issued three-year rates, the institution may be placed on provisional certification status.

The most recent two-year cohort default rates published by the DOE are for the 2011 federal fiscal year. The rates for our existing institutions for the 2011 federal fiscal year range from 13.2% to 21.5%. None of our existing institutions have final two-year cohort default rates over 25% for the 2011, 2010 or 2009 federal fiscal years.

The most recent three-year cohort default rates published by the DOE are for the 2010 federal fiscal year. The three-year rates for our existing institutions for the 2010 federal fiscal year range from 19.0% to 34.0%. For the 2010 federal fiscal year, two of our institutions, Indianapolis, Indiana and New Britain, Connecticut, have cohort default rates of at least 30%. One of our institutions, Indianapolis, Indiana, has exceeded the 30% three year CDR threshold for two consecutive years (2009 and 2010). In February 2014, the DOE released draft three-year cohort default rates for the 2011 federal fiscal year. None of our existing institutions had draft cohort default rates of at least 30%. The draft cohort default rates are subject to change pending receipt of the final cohort default rates, which the DOE is expected to publish in September 2014.

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While we strive to improve the cohort default rates for each of our institutions, the current economic climate, combined with the demographics of the students that we traditionally serve, makes this objective even more challenging. As a result, we have significantly increased our default management personnel to help enhance the financial literacy of our students and graduates, with the goal of helping students stay current in their loan payments. We have also engaged third-party consultants to assist those institutions who have historically had the highest cohort default rates.

Gainful Employment

The DOE issued final regulations on October 29, 2010, with a general effective date of July 1, 2011, and which included, but were not limited to: revisions to the incentive compensation rule, a significant expansion of the notice and approval requirements for adding new academic programs and new reporting and disclosure requirements for such programs, the definition of high school diploma for the purpose of establishing institutional eligibility to participate in the Title IV programs and student eligibility to receive Title IV aid, ability to benefit students, misrepresentation of information provided to students and prospective students, incentive compensation, state authorization as a component of institutional eligibility, agreements between institutions of higher education, verification of information included on student aid applications, satisfactory academic progress, monitoring grade point averages, retaking coursework, return of Title IV funds with respect to term based programs with modules or compressed courses and with respect to taking attendance, and the timeliness and method of disbursements of Title IV funds. The topics covered in these regulations also included a new federal definition of a "credit hour" for federal student aid purposes. The new definition has resulted in changes to the number of credit hours awarded for certain of our educational programs and in changes to the amount of federal student aid available to students enrolled in such programs. The implementation of all of the October 2010 final regulations required us to change certain of our practices to comply with these requirements. The changes to our practices, or our inability to comply with the final regulations on or after their effective date, have had and may continue to have a material adverse effect on our business and results of operations.

On March 25, 2014, the DOE published a Notice of Proposed Rulemaking in the Federal Register containing a proposed gainful employment regulation that would apply to all educational programs that are subject to the DOE requirement of preparing students for gainful employment in a recognized occupation. Such educational programs include all of the Title IV-eligible educational programs at each of our institutions.

The proposed regulation would require each educational program to achieve threshold rates in three debt measure categories related to an annual debt to annual earnings ratio, an annual debt to discretionary income ratio, and a program cohort default rate. The various formulas are calculated under complex methodologies and definitions outlined in the draft regulatory language and, in some cases, are based on data that may not be readily accessible to institutions. The draft language outlines various scenarios under which programs could lose Title IV eligibility for failure to achieve threshold rates in one or more measures over certain periods of time ranging from two to four years. The draft language also requires an institution to provide warnings to current and prospective students in programs which may lose Title IV eligibility at the end of an award or fiscal year. In addition, the proposed regulation would impose extensive reporting and disclosure obligations on institutions offering gainful employment programs.

The comment period runs through May 27, 2014, after which the DOE will consider revisions to the proposed regulation. The DOE will then prepare and publish final regulations. The draft regulatory language discussed above is not final and is subject to change by the DOE. Accordingly, we cannot predict the ultimate content of any new regulations that may emerge or the potential impact of such regulations on us or our institutions. New final DOE regulations published on or before November 1, 2014 typically would have an effective date of July 1, 2015, although it is unknown at this time whether some or all of these regulations might have an earlier or later effective date. The implementation of new gainful employment regulations, or any other changes the DOE may propose and implement, could require us to eliminate certain educational programs, and could have a material adverse effect on the rate at which students enroll in our programs and on our business and results of operations.

The DOE also announced additional topics that will be considered for new regulations by negotiated rulemaking committees beginning in February 2014. The topics under discussion are expected to include, but may not be limited to, the following: clock to credit hour conversion for programs offered in credit hours that do not transfer into degree programs and are subject to the federal conversion formula for determining credit hours; cash management of funds provided under the Title IV Federal student aid programs, including the handling of the use of debit cards and the handling of credit balances; state authorization for programs offered through distance education or correspondence education; state authorization for foreign locations of institutions located in a state; and the definition of "adverse credit" for borrowers of certain loans. Another committee met during sessions beginning in January 2014 and addressing topics related to the scope of campus crime statistics that Title IV participating institutions are required to distribute to current and prospective students and employees.

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The DOE intends to use the negotiated rulemaking process during 2014 to develop new regulations on these and potentially other topics. These regulations typically would be subject to a notice and comment period during which the public comments on proposed regulations and the DOE responds to comments and publishes final regulations. We cannot predict the ultimate content of any new regulations that may emerge from this process or the potential impact of such regulations on us or our institutions. New final DOE regulations published on or before November 1, 2014 typically would have an effective date of July 1, 2015, although it is unknown at this time whether some or all of these regulations may have an earlier or later effective date. The implementation of any new regulations by DOE could have a material adverse effect on the rate at which students enroll in our programs and on our business and results of operations.

ATB Students

ATB students are non-GED and non-high school graduates who are allowed to enroll in post-secondary institutions by passing a DOE approved exam. ATB students are traditionally a higher risk population who complete their programs at a lower rate and default on their student loans at a higher rate than non-ATB students. On December 23, 2011, President Obama signed into law the Appropriations Act. This law eliminates the ability of ATB students who first enroll after July 1, 2012 to participate in federal student financial aid programs. As a result, we stopped enrolling ATB students as of July 1, 2012. This reduction in ATB students has negatively impacted our total enrollment and our revenue.

Outlook

In addition to the 90/10 Rule, cohort default rates, gainful employment and limits on the number of ATB students discussed above, changes to admissions advisor compensation policies, other changes promulgated by the DOE and the current economic slowdown have all led to significant deterioration in student enrollments. This deterioration continued into 2013. We believe that we have started to see stabilization in our student starts for our continuing operations. In particular our automotive and skill trade campuses appear to have stabilized while our other programs continue to experience some challenges. Some of this can be attributable to large financing gaps at certain programs as well as the hesitation or inability of students to incur additional debt and/or make required monthly payments. We continue to explore ways to help these students achieve their goals, including reducing tuition of certain programs or providing need based scholarships.

While we believe our student starts have leveled off, we continue to be challenged by the current economic environment as well as students' and their parents' continued hesitation to incur debt. We expect that this trend will improve as the economy improves but cannot predict when this will occur.

The continued deterioration in our student population produced negative operating margins in 2013 and the first quarter of 2014. While we experienced negative margins we expect that this will reverse in the near future. Until that does occur we anticipate that we will be able to meet our short-term cash needs, as well as our need to fund operations and meet our obligations beyond the next twelve months with cash generated by operations, existing cash balances and borrowings under our Credit Facility.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks as part of our on-going business operations. We have a Credit Agreement with a syndicate of banks. Our obligations under the Credit Agreement are secured by a lien on substantially all of our assets and our subsidiaries and any assets that we or our subsidiaries may acquire in the future, including a pledge of substantially all of our subsidiaries' common stock. Outstanding borrowings bear interest at the rate of 7.25% (as calculated in the credit agreement) as of March 31, 2014. As of March 31, 2014, we had $5.0 million outstanding under our credit agreement.

Our interest rate risk is associated with miscellaneous capital equipment leases, which is not significant.

Based on our outstanding debt balance as of March 31, 2014, a change of one percent in the interest rate would have caused a change in our interest expense of approximately $0.1 million, or less than $0.01 per basic share, on an annual basis. Changes in interest rates could have an impact however on our operations, which are greatly dependent on students' ability to obtain financing. Any increase in interest rates could greatly impact our ability to attract students and have an adverse impact on the results of our operations. The remainder of our interest rate risk is associated with miscellaneous capital equipment leases, which is not significant.

Item 4. CONTROLS AND PROCEDURES

(a)   Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the quarterly period covered by this report, have concluded that our disclosure controls and procedures are adequate and effective to reasonably ensure that material information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission's Rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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(b) Changes in Internal Control Over Financial Reporting. There were no changes made during our most recently completed fiscal quarter in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the ordinary conduct of our business, we are subject to periodic lawsuits, investigations and claims, including, but not limited to, claims involving students or graduates and routine employment matters. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations and claims asserted against us, we do not believe that any currently pending legal proceeding to which we are a party will have a material adverse effect on our business, financial condition, results of operations or cash flows.

On November 21, 2012, we received a Civil Investigation Demand from the Attorney General of the Commonwealth of Massachusetts relating to their investigation of whether we and certain of our academic institutions have complied with certain Massachusetts state consumer protection and finance laws. On July 29, 2013 and January 17, 2014, we received follow-up Civil Investigative Demands. Pursuant to the Civil Investigative Demands, the Attorney General has requested from us and certain of our academic institutions documents and detailed information from the time period January 1, 2008 to the present. The Company has responded to this request and intends to continue cooperating with the Attorney General's Office.

Item 6. EXHIBITS

EXHIBIT INDEX

The following exhibits are filed with or incorporated by reference into this Form 10-Q.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (1).
3.2	Amended and Restated By-laws of the Company (2).
4.1	Management Stockholders Agreement, dated as of January 1, 2002, by and among Lincoln Technical Institute, Inc., Back to School Acquisition, L.L.C. and the Stockholders and other holders of options under the Management Stock Option Plan listed therein (1).
4.2	Assumption Agreement and First Amendment to Management Stockholders Agreement, dated as of December 20, 2007, by and among Lincoln Educational Services Corporation, Lincoln Technical Institute, Inc., Back to School Acquisition, L.L.C. and the Management Investors parties therein (3).
4.3	Registration Rights Agreement, dated as of June 27, 2005, between the Company and Back to School Acquisition, L.L.C. (2).
4.4	Specimen Stock Certificate evidencing shares of common stock (1).
10.1	Credit Agreement, dated as of April 5, 2012, among the Company, the Guarantors from time to time parties thereto, the Lenders from time to time parties thereto and Bank of America, N.A., as

	Administrative Agent (5).
10.2	First Amendment to the Credit Agreement, dated as of June 18, 2013, among the Company, the Guarantors from time to time parties thereto, the Lenders from time to time parties thereto and Bank of America, N.A., as Administrative Agent (11).
10.3	Second Amendment to the Credit Agreement, dated as of December 20, 2013, among the Company, the Guarantors from time to time parties thereto, the Lenders from time to time parties thereto and Bank of America, N.A., as Administrative Agent (12).

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10.4	Employment Agreement, dated as of January 8, 2013, between the Company and Scott M. Shaw (8).
10.5	Employment Agreement, dated as of January 8, 2013, between the Company and Cesar Ribeiro (8).
10.6	Employment Agreement, dated as of January 8, 2013, between the Company and Shaun E. McAlmont (8).
10.7	Employment Agreement, dated as of January 8, 2013, between the Company and Piper P. Jameson (8).
10.8	Lincoln Educational Services Corporation Amended and Restated 2005 Long-Term Incentive Plan (7).
10.9	Lincoln Educational Services Corporation 2005 Non-Employee Directors Restricted Stock Plan (13).
10.10	Lincoln Educational Services Corporation 2005 Deferred Compensation Plan (1).
10.11	Lincoln Technical Institute Management Stock Option Plan, effective January 1, 2002 (1).
10.12	Form of Stock Option Agreement, dated January 1, 2002, between Lincoln Technical Institute, Inc. and certain participants (1).
10.13	Form of Stock Option Agreement under our 2005 Long-Term Incentive Plan (4).
10.14	Form of Restricted Stock Agreement under our 2005 Long-Term Incentive Plan (10).
10.15	Form of Performance-Based Restricted Stock Award Agreement under our Amended & Restated 2005 Long-Term Incentive Plan (9).
10.16	Management Stock Subscription Agreement, dated January 1, 2002, among Lincoln Technical Institute, Inc. and certain management investors (1).
10.17	Stock Repurchase Agreement, dated as of December 15, 2009, among Lincoln Educational Services Corporation and Back to School Acquisition, L.L.C (6).
31.1 *	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 *	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32 *	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following financial statements from Lincoln Educational Services Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 9, 2014, formatted in XBRL: (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity, and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and in detail.

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(1) Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-123644).

(2) Incorporated by reference to the Company's Form 8-K filed June 28, 2005.

(3) Incorporated by reference to the Company's Registration Statement on Form S-3 (Registration No. 333-148406).

(4) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

(5) Incorporated by reference to the Company's Form 8-K filed April 11, 2012.

(6) Incorporated by reference to the Company's Form 8-K filed December 21, 2009.

(7) Incorporated by reference to the Company's Form 8-K filed May 6, 2013.

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(8) Incorporated by reference to the Company's Form 8-K filed January 10, 2013.

(9) Incorporated by reference to the Company's Form 8-K filed May 5, 2011.

(10) Incorporated by reference to the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

(11) Incorporated by reference to the Company's Form 8-K filed June 20, 2013.

(12) Incorporated by reference to the Company's Form 8-K filed December 27, 2013.

(13) Registration Statement on Form S-8 (Registration No. 333-188240).

* Filed herewith.

** As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		LINCOLN EDUCATIONAL SERVICES CORPORATION
Date: May 9, 2013	By:	/s/ Cesar Ribeiro Cesar Ribeiro Chief Financial Officer (Duly Authorized Officer, Principal Accounting and Financial Officer)